



Peterson  
Allred  
Jackson

**BEAR RIVER MENTAL  
HEALTH SERVICES, INC.**

**AUDITED FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED  
June 30, 2005**

▪ Certified Public Accountants  
Business Consultants

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## **INTRODUCTORY SECTION**



October 12, 2005

Utah State Auditor  
211 State Capitol  
Salt Lake City, Utah 84114

To Whom It May Concern:

The financial statement report of Bear River Mental Health Services, Inc., a nonprofit organization (the Center), for the fiscal year ended June 30, 2005, is submitted herewith. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Center. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Center. All disclosures necessary to enable the reader to gain an understanding of the Center's financial activities have been included.

The financial report is presented in three sections: introductory, financial, and supplemental. The introductory section includes this transmittal letter and a list of principal officials. The financial section includes the auditor's report and the 2004-2005 financial statements. The supplemental section includes a comparative detail statement, the auditor's reports in accordance with government auditing standards, and the State of Utah auditor's report on legal compliance.

The Center contracts with the State of Utah which dictates that programs be considered for compliance with the requirements governing types of services. Management of the Center is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Center are protected from loss, theft, or misuse; and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and county financial assistance, the Center also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management. As demonstrated by the statements and schedules included in the financial section of this report, the Center continues to meet its responsibility for sound financial management.

The preparation of the financial statements and supplemental information was made possible by the dedicated service of the Bear River Staff who assisted with the audit process. Additionally, the excellent work accomplished by the staff from the firm of Peterson Allred Jackson made this an extremely useful review and summary for management purposes.

Due credit also should be given to the governing board of the Center for their interest and support in planning and conducting the operations in a responsible and progressive manner.

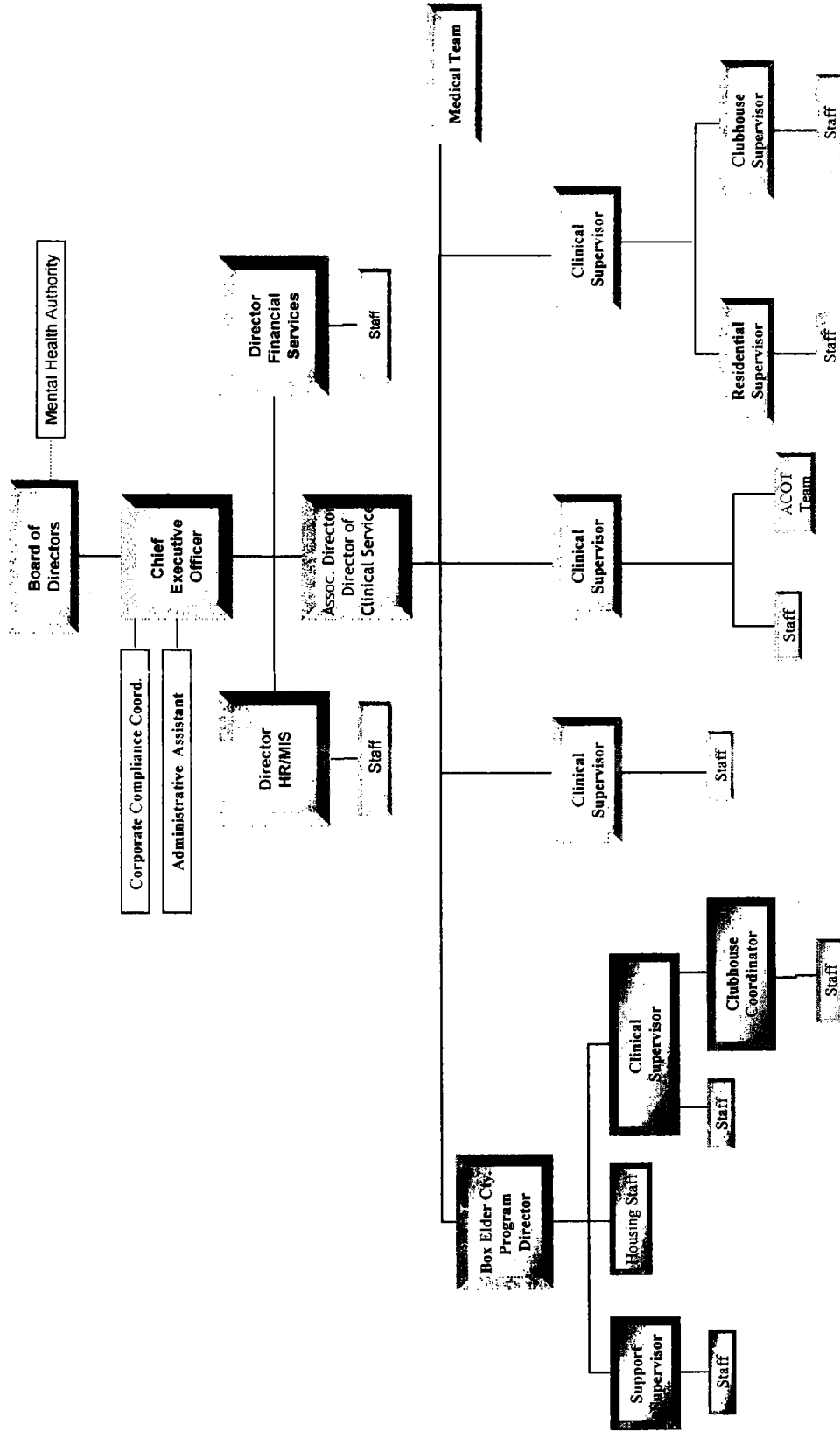
Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Mick Pattinson".

Mick Pattinson, Ph.D.  
President/CEO

# Bear River Mental Health - Organizational Chart

Effective 06/30/05



11/9/2005

**Bear River Mental Health Services, Inc.**  
**List of Principal Officials**  
**June 30, 2005**

**Executive Committee:**

President/CEO  
Associate Director/Director of Clinical Services  
Director of HR/MIS  
Director of Financial Services  
Box Elder County Program Director

Mick Pattinson  
Susan Seiler  
Beth A. Smith  
Robert B. Johnson  
Tim Frost

**Board of Directors:**

Chair  
Vice Chairman  
Member  
Member  
Member  
Member  
Member

Steve Stowers  
Scott Wyatt  
Steve Vincent  
Blaine Mauchley  
Lori Hart  
Greg Merrill  
Mike Miller

**Oversight Committee:**

Member (Cache County)  
Member (Box Elder County)  
Member (Rich County)

Lynn Lemon  
Suzanne Rees  
William Cox

**FINANCIAL SECTION**



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■ Certified Public Accountants  
Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Bear River Mental Health Services, Inc.

We have audited the accompanying statement of financial position of Bear River Mental Health Services, Inc., a nonprofit organization (the Center), as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bear River Mental Health Services, Inc. as of June 30, 2005, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2005, on our consideration of Bear River Mental Health Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying detail statement of activities listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Peterson Allred Jackson*

October 12, 2005

2400 North Main, North Logan, Utah 84341  
435-752-6441  
FAX: 752-6451

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**BEAR RIVER MENTAL HEALTH SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2005**

	June 30, 2005	Memorandum Only June 30, 2004
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,971,869	\$ 3,516,276
Accounts receivable	1,295,074	1,036,289
Prepaid expenses and other assets	152,946	162,075
Total current assets	<u>5,419,889</u>	<u>4,714,640</u>
Fixed assets:		
Land, buildings, and equipment	5,284,311	5,318,095
Accumulated depreciation	(2,051,430)	(1,887,278)
Total fixed assets	<u>3,232,881</u>	<u>3,430,817</u>
 TOTAL ASSETS	 <u>\$ 8,652,770</u>	 <u>\$ 8,145,457</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 680,842	\$ 742,258
Accrued liabilities	319,953	321,128
Deferred revenue	-	309,215
Unexpended county funds	96,676	81,863
Medicaid match payable	790,851	636,320
Other current liabilities	1,540	1,712
Total current liabilities	<u>1,889,862</u>	<u>2,092,496</u>
Long-term liabilities:		
Mortgage payable	<u>309,935</u>	<u>309,935</u>
Total liabilities	<u>2,199,797</u>	<u>2,402,431</u>
Net assets:		
Unrestricted	<u>6,452,973</u>	<u>5,743,026</u>
Total net assets	<u>6,452,973</u>	<u>5,743,026</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 8,652,770</u>	 <u>\$ 8,145,457</u>

The independent auditor's report and notes to the financial statements are integral parts of these financial statements.

**BEAR RIVER HEALTH SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	June 30, 2005	Memorandum Only June 30, 2004
Government support and revenues:		
Government support:		
Federal	\$ 157,761	\$ 176,665
State	1,468,280	1,410,310
County	258,800	251,140
Private support:		
Donations	26	152
Total support	<u>1,884,867</u>	<u>1,838,267</u>
Revenues:		
Medicaid (net)	4,099,183	3,638,801
Service fees	503,248	541,629
Interest income	71,937	49,387
Client living fees	67,416	70,791
Miscellaneous income	<u>13,263</u>	<u>15,333</u>
Total revenue	<u>4,755,047</u>	<u>4,315,941</u>
 TOTAL GOVERNMENT SUPPORT AND REVENUES	 <u>6,639,914</u>	 <u>6,154,208</u>
Expenses:		
Administration	940,034	932,944
Out patient	2,273,383	2,225,743
Children's intensive	1,169,787	1,323,618
Adult intensive	<u>1,546,763</u>	<u>1,514,610</u>
TOTAL EXPENSES	5,929,967	5,996,915
Other revenue & expenses		
Loss (gain) on sale of assets	<u>-</u>	<u>(315)</u>
TOTAL EXPENSES & OTHER REVENUE/EXPENSES	<u>5,929,967</u>	<u>5,996,600</u>
Changes in unrestricted net assets	709,947	157,608
Net assets at beginning of year	<u>5,743,026</u>	<u>5,585,418</u>
Net assets at end of year	<u>\$ 6,452,973</u>	<u>\$ 5,743,026</u>

The independent auditor's report and notes to the financial statements are integral parts of these financial statements.

BEAR RIVER MENTAL HEALTH SERVICES, INC.  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Administration</u>	<u>Out patient</u>	<u>Children's intensive</u>	<u>Adult intensive</u>
Personnel	\$ 738,857	\$ 2,005,257	\$ 958,777	\$ 779,833
Travel/auto	13,075	23,950	26,256	21,411
Office maintenance	8,314	12,663	8,752	6,292
Occupancy	18,217	92,376	79,401	102,106
Professional	13,006	24,632	9,604	505,152
Staff support	61,099	16,723	24,509	7,633
Data processing	69,607	26,399	-	11,454
Program activities	-	1,578	3,123	46,094
Depreciation	15,004	63,397	55,894	63,640
Other	<u>2,855</u>	<u>6,408</u>	<u>3,471</u>	<u>3,148</u>
 TOTAL EXPENSES	 <u>\$ 940,034</u>	 <u>\$ 2,273,383</u>	 <u>\$ 1,169,787</u>	 <u>\$ 1,546,763</u>

The independent auditor's report and notes to the financial statements are integral parts of these financial statements

	Memorandum only
<u>June 30, 2005</u>	<u>June 30, 2004</u>
\$ 4,482,724	\$ 4,677,206
84,692	93,112
36,021	62,255
292,100	434,167
552,394	251,658
109,964	100,701
107,460	95,039
50,795	61,668
197,935	194,068
<u>15,882</u>	<u>27,041</u>
 <u><u>\$ 5,929,967</u></u>	 <u><u>\$ 5,996,915</u></u>

**BEAR RIVER MENTAL HEALTH SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	June 30, 2005	Memorandum Only June 30, 2004
Cash flows from operating activities:		
Change in net assets	\$ 709,947	\$ 157,608
Add (deduct) items not affecting cash:		
Depreciation	197,935	194,068
(Increase) decrease in receivables	(258,785)	(422,341)
(Increase) decrease in prepaid and other assets	9,129	42,841
Increase (decrease) in payables	(61,416)	(49,659)
Increase (decrease) in accrued liabilities	(1,346)	17,311
Increase (decrease) in deferred revenue	(309,215)	309,215
Increase (decrease) in county match payable	14,813	16,254
Increase (decrease) in Medicaid match payable	154,531	319,431
Loss on sale of assets	-	-
Net cash provided by operating activities	<u>455,593</u>	<u>584,728</u>
Cash flows from investing activities:		
Purchase of land, building, CIP, and equipment	<u>-</u>	<u>(635,711)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(635,711)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	455,593	(50,983)
Cash and cash equivalents at beginning of year	<u>3,516,276</u>	<u>3,567,259</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,971,869</u></u>	<u><u>\$ 3,516,276</u></u>
Supplemental Disclosures:		
Cash paid for interest	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

The independent auditor's report and accompanying notes are integral parts of these financial statements.



**BEAR RIVER MENTAL HEALTH SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 1: Summary of significant accounting policies**

**Business activity.** Bear River Mental Health Services, Inc., (the Center), is a non-profit organization whose purpose is to provide mental health services to residents of Cache, Rich, and Box Elder Counties. The Center was incorporated as a nonprofit organization on January 1, 1984. Prior to incorporation, mental health services were performed through a tri-county governmental association. The Center receives funding for its programs from various federal, state, and local sources. In addition, the Center receives Medicaid reimbursement for eligible patients on a capitation basis. The Center has facilities in Logan, Brigham City, and Tremonton, Utah with satellite offices in Randolph and Garden City, Utah.

The Center is an exempt organization for federal income tax purposes under Section 501(c)(3) of the internal revenue code and has been classified as other than a private foundation.

**Program objectives:** The Center provides comprehensive mental health services to clients including: psycho-social rehabilitation, residential services, inpatient services, individual therapy, group therapy, psychological testing, medication management, etc. These services are provided for individuals who are eligible for Utah State Medicaid, the portion of the population that meets the State of Utah's definition for seriously and persistently mentally ill adults or seriously emotionally disturbed children and adolescents, or those individuals in psychiatric crisis or in need of inpatient hospitalization.

**Basis of accounting:** Bear River Mental Health Services, Inc. utilizes the accrual basis of accounting.

**Service fee revenue**

Revenues earned from service fees provided under third-party reimbursement and private pay arrangements are recognized on a cash basis due to the uncertainty of the timing and amount of collection. As this treatment has an immaterial affect on the financial statements, and due to the uncertainty of collection, which is not susceptible to reasonable estimation by management, the Center's treatment is deemed to conform with generally accepted accounting principles.

### Fixed assets

Fixed assets are stated at historical cost. All capital items greater than \$5,000 are classified as capitalized assets. Donated fixed assets are valued at their estimated fair market value on the date donated. A physical inventory of fixed assets was taken at June 30, 2002 and adjustments made to the books to reflect the results. Estimated costs were used when actual costs were not available. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	25 years
Furniture and fixtures	5-10 years
Equipment	3-10 years
Automobiles	5 years

### Deferred revenue

Funds received from local governmental entities are first recognized as unexpended (deferred revenue) and recognized as revenue upon disbursement to meet the local match required for the state contract.

### Deposits

Bear River Mental Health Services, Inc. collects refundable deposits for certain monthly living accommodations provided to eligible patients. This liability represents amounts received and held as of June 30, 2005.

### Accrued compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available resources and paid upon termination has been accrued. Also included is the post retirement benefit for unused sick leave that is expected to be paid for health insurance premiums after retirement.

### Statement of Cash Flows

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### Income taxes

The Center is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Center has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for fiscal year 2005.

**Note 2: Cash and cash equivalents**

**Petty Cash**

Petty cash funds have been established in various locations for small purchases or where change is needed.

Petty cash funds	\$ 500
Change funds	<u>500</u>
Total petty cash	<u>\$1,000</u>

**Cash in bank**

The cash and savings accounts are deposited in various financial institutions and are carried as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash:		
Cache Valley Bank (cafeteria)	\$ 8,267	\$ 8,267
Cache Valley Bank (checking)	(133,594)	00
Cache Valley Bank (savings)	354,559	353,221
Wells Fargo (checking)	19,098	18,961
Utah Public Treasurer's Investment	3,322,539	3,322,539

**Certificates of Deposit**

<u>Description</u>	<u>Amount</u>
Bank of Utah	\$100,000
Wells Fargo Bank	100,000
Lewiston State Bank	100,000
Zion's First National Bank	100,000

The Center's carrying amount of bank deposits at June 30, 2005 is \$381,924 and the bank balance is \$380,449. Of the bank balance, \$127,365 is covered by federal depository insurance (FDIC) and \$254,559 is covered by pledged securities through Cache Valley Bank. Of the \$400,000 invested in certificates of deposits \$400,000 is insured by FDIC. The Center invests in the Utah Public Treasurer's Investment Fund, which is not insured by the FDIC, but follows the State Money Management Act. The Center considers the actions of the State Money Management Council to be necessary and sufficient for adequate protection of the Utah Public Treasurer's investments.

**Note 3: Accounts receivable**

Accounts receivable represent grants and contracted support from federal, state, and local governments due to the Center at June 30, 2005, for fiscal year 2005 contracts as follows:

Grants:	
Federal	\$ 72,363
State	703,030
Counties:	
Cache	88,052
Rich	1,250
Box Elder	<u>24,442</u>
Total grants	<u>889,137</u>
Other:	
Title XIX	396,002
Sales tax	579
Miscellaneous	<u>9,356</u>
Total other	<u>405,937</u>
Total accounts receivable	<u>\$ 1,295,074</u>

The Title XIX premiums receivable is offset by a 27.86% match of funds, which is required to be reimbursed to Medicaid, and included in Medicaid Match Payable.

**Note 4: Other assets**

Bear River Mental Health Services, Inc. joined an association to provide liability insurance coverage in 1984. The association required that stock be purchased in a corporation by all mental health centers participating in the insurance plan. Forty shares of class "C" common stock were issued to the Center on January 12, 1988, in consideration of \$20,000 paid as a deposit in 1984. The market value of this investment is not available due to the nature of the corporation.

The Center has liability insurance, which has been prepaid totaling \$34,795. This amount will continue to be allocated to expense. Prepaid rent and other miscellaneous prepaids of \$1,800 were recorded as of June 30, 2005.

The Center entered into an agreement with Utah Non-Profit Housing Corporation to own 1/2% of Bear River Valley Mental Health, LLC. The Center donated land with a historical cost of \$96,351 to the LLC for the ownership interest.

**Note 5: Fixed assets**

Fixed asset activity for the year ended June 30, 2005, is as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Land	\$ 457,429	\$	\$	\$ 457,429
Buildings	4,473,944			4,473,944
Equipment and furnishings	<u>386,722</u>		<u>33,784</u>	<u>352,938</u>
Total assets	5,318,095		33,784	5,284,311
Accumulated depreciation	<u>(1,887,278)</u>	<u>(197,936)</u>	<u>( 33,784)</u>	<u>(2,051,430)</u>
Total net assets	<u>\$ 3,430,817</u>	<u>\$ (197,936)</u>	<u>\$</u>	<u>\$ 3,232,881</u>

**Note 6: Accounts payable/accrued liabilities**

Accounts payable and accrued liabilities consist of amounts incurred and due at June 30, 2005, which have not yet been paid as follows:

Accounts payable:

Salaries payable	\$ 197,026
Tax withholdings payable	84,818
Account payable	<u>398,998</u>

Total accounts payable	<u>680,842</u>
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Accrued compensated absences	<u>319,953</u>
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Total accrued liabilities	<u>319,953</u>
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Total accounts payable/accrued liabilities	<u>\$1,000,795</u>
--	--------------------

**Note 7: Unrestricted/net assets**

The Board of Directors has appropriated an amount to be set aside for normal operations of the Center. The operating appropriation has been calculated at 120 days of expenditures, based on 2004-2005 fiscal year expenses.

Net investment in fixed assets represents the amount of assets held at year-end. The fixed asset appropriation has been appropriated for the future acquisition of fixed assets.

Operating appropriation	\$ 1,949,579
Net investment in fixed assets	3,232,881
Fixed asset appropriation	<u>1,270,513</u>

Total unrestricted net assets	<u>\$ 6,452,973</u>
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**Note 8: Defined benefit pension plan**

**Plan Description.** Bear River Mental Health Services, Inc. (the Center) contributes to the Local Governmental Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, and death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49), as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** In the Local Governmental Noncontributory Retirement System the Center is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The Center's contributions to the Noncontributory Retirement System for June 30, 2005, 2004, and 2003 were \$279,261, \$245,304, and \$196,526 respectively. The contributions were equal to the required contributions for each year.

**Note 9: Defined contribution plan (or 401(k) plan)**

The Center provides supplemental pension benefits for all of its full-time employees through a defined contribution Section 401(k) plan. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Board of Directors authorizes the Center to contribute 13.5% of the employee's base salary into the plan, reduced by amounts paid to the noncontributory system. Employee contributions are optional within prescribed limits. The Center's contributions for each employee (and interest allocated to the employee's account) are fully vested upon deposit into the plan. The Center made contributions totaling \$130,432. Employees made \$115,692 in optional contributions.

**Note 10: 457 Plan**

The Center also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$20,848 and the Center contributed \$0.

**Note 11: Postretirement benefits**

Bear River Mental Health, Inc. provides a postretirement benefit election calculated from an employee's earned but unused sick leave accrual at retirement from employment after a minimum of 10 years service. The amount contributes to health insurance (or Medicare supplements at age 65) over the remaining life of the employee. At the balance sheet date the Center is obligated for \$24,179. This amount is classified as accrued liabilities.

**Note 12: Cafeteria plan**

Bear River Mental Health Services, Inc. has set up a cafeteria plan to enable employees to have amounts excluded from their income under section 125(a) and other applicable sections of the Internal Revenue Service code of 1986, as amended. The plan is to provide contributions from the employees to cover benefits paid. The plan is administered by an independent agency, with assets maintained in separate trust accounts.

**Note 13: Leases**

The Center leases office space in Tremonton. The Tremonton lease is classified as an operating lease terminating July 1, 2006.

The future minimum lease payments for the next fiscal year is as follows:

June 30, 2006	\$ <u>24,900</u>
TOTAL	\$ <u>24,900</u>

**Note 14: Mortgage payable**

The Center purchased a building in Brigham City to use in their mental health services. This purchase was made with loan proceeds available from the Department of Housing and Urban Development (HUD) through the State of Utah Housing Trust Fund. Repayment of the loan is to be made through a cash flow mortgage at 0% interest. Payments are required quarterly based on 80% of the net cash revenue generated by the facility. The amount due at June 30, 2005 was \$309,935, which was for the purchase and renovation of the building. The entire note has been listed as long-term because net cash revenues from the facility cannot be projected. There is no deadline for repayment of the note.

**Note 15: Memorandum totals**

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to consolidation.



**SUPPLEMENTAL SECTION**

BEAR RIVER MENTAL HEALTH SERVICES, INC.  
 DETAIL STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2005 AND 2004

	MEMORANDUM TOTALS ONLY	
	June 30, 2005	June 30, 2004
Revenues:		
State operating grant	\$ 1,090,600	\$ 1,063,400
State children's grant	203,400	192,300
County match	258,800	251,140
Federal block grant	131,700	131,700
24-hr. residential grant	77,508	85,498
Community outplacement grant	54,960	44,790
ACOT	11,582	2,612
Family preservation grant	3,364	44,965
Pasarr	30,230	21,710
Child wrap around	22,697	-
<b>TOTAL GRANTS</b>	<b>1,884,841</b>	<b>1,838,115</b>
Juvenile court	-	10,800
Title XIX- Medicaid (net)	4,099,183	3,638,801
<b>TOTAL CONTRACT FEES</b>	<b>4,099,183</b>	<b>3,649,601</b>
Personal payment	156,027	190,557
Debt recovery	8,073	1,460
Insurance	214,948	250,031
Medicare	77,330	41,401
<b>TOTAL CLIENT FEES</b>	<b>456,378</b>	<b>483,449</b>
Consulting fees	46,870	47,380
Donations	26	152
Interest income	71,937	49,387
Miscellaneous	1,386	209
Semi-independent living fees	52,607	51,806
24-hour supervised living fees	14,809	18,985
DT Lunch Program	11,877	15,124
Gain on sale of assets	-	315
<b>TOTAL OTHER REVENUES</b>	<b>199,512</b>	<b>183,358</b>
<b>TOTAL REVENUES</b>	<b>6,639,914</b>	<b>6,154,523</b>

Expenses:

Salaries	3,257,116	3,347,584
Employee benefits	<u>1,207,010</u>	<u>1,260,470</u>
 TOTAL PERSONNEL	 <u>4,464,126</u>	 <u>4,608,054</u>
 Travel- in state	 50,246	 63,923
Travel- out state	<u>2,070</u>	<u>2,116</u>
 TOTAL TRAVEL	 <u>52,316</u>	 <u>66,039</u>
 Office supplies	 14,922	 31,466
Postage	9,132	13,790
Printing and publications	10,378	13,402
Maintenance	<u>1,589</u>	<u>3,597</u>
 TOTAL OFFICE MAINTENANCE	 <u>36,021</u>	 <u>62,255</u>
 Rent	 33,219	 20,700
Utilities	85,851	86,240
Telephone	44,814	45,543
Insurance	32,201	37,152
Janitorial	46,710	43,341
Maintenance	<u>49,305</u>	<u>201,191</u>
 TOTAL OCCUPANCY	 <u>292,100</u>	 <u>434,167</u>
 Contract services	 <u>570,992</u>	 <u>320,810</u>
 TOTAL PROFESSIONAL SERVICES	 <u>570,992</u>	 <u>320,810</u>
 Books and journals	 1,191	 1,930
License and memberships	14,090	14,800
Education and training	57,681	45,714
Liability insurance	<u>37,002</u>	<u>38,257</u>
 TOTAL STAFF SUPPORT	 <u>109,964</u>	 <u>100,701</u>
 Materials	 1,627	 6,299
Medical supplies	<u>636</u>	<u>382</u>
 TOTAL PROFESSIONAL SUPPLIES	 <u>2,263</u>	 <u>6,681</u>
 Patient activities	 <u>48,532</u>	 <u>54,987</u>
 TOTAL TRANSITIONAL	 <u>48,532</u>	 <u>54,987</u>

Data processing services	39,910	36,604
Data processing supplies/equipment	47,554	33,727
Data processing maintenance	<u>19,996</u>	<u>24,708</u>
<b>TOTAL DATA PROCESSING</b>	<u>107,460</u>	<u>95,039</u>
Gas and oil	10,220	11,479
Maintenance	10,795	11,636
Insurance	<u>11,361</u>	<u>3,958</u>
<b>TOTAL AUTO EXPENSE</b>	<u>32,376</u>	<u>27,073</u>
Advertising	12,494	19,734
Miscellaneous	1,497	2,833
Board of directors	1,891	4,474
Loss on sale of assets	<u>-</u>	<u>-</u>
<b>TOTAL OTHER EXPENSES</b>	<u>15,882</u>	<u>27,041</u>
Building	-	627,614
Land	-	-
Automobiles	-	-
Equipment	-	8,097
CIP	<u>-</u>	<u>-</u>
<b>TOTAL CAPITAL OUTLAY</b>	<u>-</u>	<u>635,711</u>
<b>TOTAL EXPENDITURES BEFORE ADJUSTMENT</b>	5,732,032	6,438,558
Less: Total capital outlay	-	(635,711)
Plus: Depreciation	<u>197,935</u>	<u>194,068</u>
<b>TOTAL EXPENDITURES</b>	<u>5,929,967</u>	<u>5,996,915</u>
<b>NET INCOME</b>	<u>\$ 709,947</u>	<u>\$ 157,608</u>



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Governing Board  
Bear River Mental Health, Incorporated

We have audited the financial statements of Bear River Mental Health, Incorporated, a nonprofit organization (the Center) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and various audit agencies and is not intended to be and should not be used by anyone other than those specified parties.

Peterson Alfred Jackson

October 12, 2005



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## **INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

Governing Board  
Bear River Mental Health Services, Inc.

We have audited the financial statements of Bear River Mental Health Services, Inc., a nonprofit organization (the Center), as of and for the year ended June 30, 2005, and have issued our report thereon dated October 12, 2005. As part of our audit, we have audited the Center's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Center received the following major State assistance programs from the State of Utah:

### **State Mental Health Contract Grants**

The Center also received the following nonmajor grants, which are not required to be audited for specific compliance requirements,: (However, these programs were subject to test work as part of the audit of the Center's financial statements.)

Juvenile Court (Administrative Office of the Courts)  
Competency Exams  
Passar

The management of the Center is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Bear River Mental Health Services, Inc., complied, in all material respects, with the requirements governing types of services allowed or unallowed, eligibility; matching, level of effort, or earmarking; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Peterson Alfred Jackson

October 12, 2005





Peterson  
Allred  
Jackson

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Business Consultants

October 12, 2005

Governing Board  
Bear River Mental Health Services, Inc.

To the Board:

In planning and performing our audit of the financial statements of Bear River Mental Health Services, Inc., a nonprofit organization (the Center), as of and for the year ended June 30, 2005, we developed the following recommendations concerning certain matters related to the internal control structure (other than "reportable conditions"), compliance issues, and certain other administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the Center's audited financial statements for the year ended June 30, 2005, and are not based on a special study. Our comments and principal recommendations are summarized below.

#### **PRIOR YEAR FINDINGS**

**Finding:** *Delayed audit report.* The audit was not completed by the required 12/31 deadline. The delay was caused by the Center not receiving Medicaid revenue information from the State.

**Recommendation:** Complete the audit by the required deadline next year.

**Management response:** Management is committed to completing the audit on time if all relevant information is received from funding sources in a timely manner.

**Status:** The report was completed well before the required deadline.

**Finding:** *Payroll files.* Not all payroll files had updated W-4's.

**Recommendation:** Review payroll files and correct any W-4 withholdings as necessary.

**Management response:** The Center has corrected the identified errors.

**Status:** Improvement in payroll file documentation was noted.

Finding: Contracts. A signed contract for doctor services was not updated for the current fiscal year.

Recommendation: Review doctor contracts and update as needed.

Management response: The Center now contracts directly with the hospital for doctor services.

Status: No unsigned contracts were noted during the current year testing.

## **CURRENT YEAR FINDINGS**

Finding: Documentation of authorization. During our testing of cash disbursements, we noted two instances in which the appropriate personnel did not sign documents.

Recommendation: All documents (invoices and checks) should be reviewed for proper documentation and authorization.

Management response: We will further emphasize to all personnel the importance of proper authorization on all invoices.

In conclusion, we wish to recognize the Executive Committee, Board of Directors, and Oversight Committee for the excellent supervision given in behalf of Bear River Mental Health Services, Inc. and Robert B. Johnson, Business Manager, who have been most cooperative in assisting us in accomplishing the audit of the 2005 fiscal year. We appreciate the assistance and cooperation of the entire staff of the Center. The performance of the Bear River Mental Health Services, Inc., fiscal year audit has been an enjoyable experience for us and we would like to thank the Center for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON

*Alan D. Allred*

Alan D. Allred, CPA